

## **Summary of Q&A at Video Conference Call on Operating Results for the Fiscal Year Ended March 31, 2023**

**Date/Time: April 28, 2023(Fri) 14:00-15:00**

**Presenters: Ichiro Tsuge, President & CEO**

**Mamoru Seki, Managing Executive Officer, CFO, Director**

**Q: Comparing this fiscal year's operating profit margin of the Telecommunication Group + CTC TECHNOLOGY Corporation (CTCT), and that of the rest of the Business Groups, which do you expect to show greater improvement?**

A: We assume that the improvement in the Telecommunication Group + CTCT might be slightly greater. We consider that revenue of the Telecommunication Group could increase and the utilization rate of CTCT's engineers would also rise if products, whose delivery has been delayed due to the shortage of semiconductors, are delivered and implementation at the customer's site are fulfilled. The utilization of CTCT engineers in other Business Groups is expanding, and the whole CTC Group is working to improve the efficiency of its resources, which is expected to show an effect in the future. We also assume that there will be fewer extremely low-margin projects than those in the last year.

**Q: Why were orders received in the Regional & Social Infrastructure Group flat YoY in Q4?**

A: It was due to absence of the large-scale projects recorded in the previous fiscal year, and the market environment for the Group remains favorable.

**Q: How certain are you about achieving FY2023 forecast?**

A: Product delivery lead times have been reduced in the Telecommunications Group, and we believe revenue will increase if this trend continues.

Customer needs are strong for projects regarding SI development, cloud shift, and DX in the rest of the Business Group, and we believe that capturing such demand will be sufficient to achieve this goal.

**Q: Isn't the FY2023 revenue plan conservative based on the backlog of orders at the end of FY2022? Can revenue swing upward depending on the semiconductor shortage situation?**

A: Our major clients of Japanese large companies are still highly motivated in IT investment. We see that not only such companies but also local governments and central government agencies are positive about IT investment, and we try to capture these opportunities as much as possible. We do not expect the situation of product delivery delays to worsen further, and incorporated revenue growth due to this into our guidance.

**Q: What is the status of the semiconductor shortage? If the equipment product delivery lead time is 6 months, and if orders for the product is not placed around summer this year, is it difficult to deliver the guidance for FY2023?**

A: Although the status varies from vendor to vendor and product to product, the delivery lead time at this moment has been gradually improving compared to that of a year ago. Currently the lead time is 8 months. The worst situation is over, but it still takes longer compared to the normal delivery lead time of 2-month and the delivery issue has not been normalized yet. At this juncture, it is still unclear how long it will take to deliver the products ordered in the summer.

**Q: How much order growth do you expect for each Business Group?**

A: We received orders for large-scale projects in the Financial Group and overseas sectors last year, so we have taken the absence of such large-scale orders into our consideration for our guidance. Other than that, we determined our management plan based on the market situation which each segment is fronting.

We expect growth by about 10% for Business Groups which have strong growth potential, such as Enterprise, Distribution, Regional & Social Infrastructure and Financial, while we see lower growth rate for the Telecommunication Group.

**Q: What is the breakdown of “Other income and expenses” for FY2023? What is your recruitment plan?**

A: The largest component is personnel cost. We have factored in headcount growth, pay raise and higher utilization rates.

A: We plan to hire more personnel in FY2023 compared to FY2022.

**Q: Regarding the forecast for “Other income and expenses”, are there any variables or special factors to affect the forecast?**

A: One variable factor is performance-linked bonuses, which fluctuate depending on the actual performances. There are no special factors that we assume at this point.

**Q: Regarding shareholder returns, is there a possibility of further dividend increases?**

A: We do not have any such plan at this moment.